

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6360**

**BILL NUMBER: SB 144**

**NOTE PREPARED: Dec 20, 2011**

**BILL AMENDED:**

**SUBJECT:** Sales Tax on Tobacco Tax Stamping Equipment.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides an exemption from the state gross retail tax for tangible personal property acquired for the exclusive purpose of complying with the state tobacco tax laws.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the Sales Tax exemption proposed in the bill. It is estimated that the DOR will be able to implement this provision with its existing level of resources.

**Explanation of State Revenues:** *Impact on Sales Tax Revenue:* This bill would decrease Sales Tax revenue by an indeterminable amount. The bill provides an exemption from the Sales Tax for tangible personal property acquired for the exclusive purpose of complying with the state tobacco tax laws.

The extent of the decrease would depend on the prices and sales of tobacco tax stamping equipment. Prices of such equipment could range from about \$5,000 to \$10,000 for hand-held stamping machines and about \$100,000 for automated stamping machines.

**Background Information:** Under current statute, cigarette distributors are responsible for affixing tax stamps to each cigarette package they distribute in Indiana. They use a stamping machine or a hand-held stamping device to place the stamp on each individual cigarette package.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund

(0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

**State Agencies Affected:** DOR.

**Local Agencies Affected:**

**Information Sources:** *Changing the Cigarette Tax Stamp: Feasibility Study Report*, November 1, 2009.

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